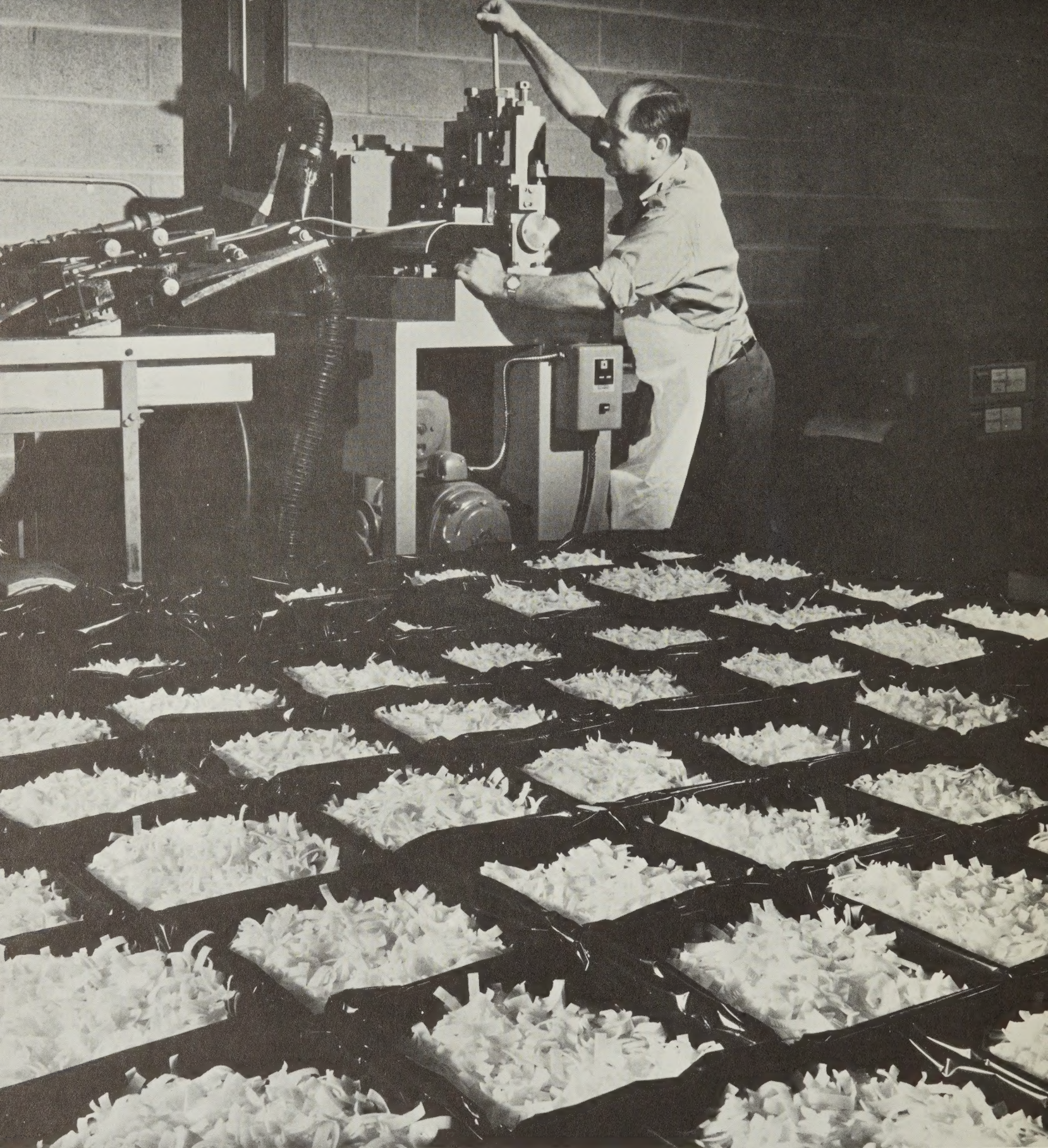


AR10





Shown on the front cover is hot melt in chip form, one of several shapes of adhesives and coatings supplied to our customers. These shapes are produced by our new extrusion equipment, part of which is shown above. The operator is controlling the pelletizer at the end of the process.

INDUSTRIAL ADHESIVES LIMITED
90 TYCOS DRIVE, TORONTO 19, ONTARIO

DIRECTORS

D. L. Adam, A. R. Bennett, R. H. Dameron, R. W. Finlayson,
C. L. Kalthoff, C. P. Keeley, H. Sutherland.

OFFICERS

President and Chairman	- - - - -	C. L. Kalthoff
Vice-President and Technical Director	- -	D. L. Adam
Vice-President, Sales	- - - - -	A. R. Bennett
Vice-President, Manufacturing	- - - - -	R. H. Dameron
Vice-President, Eastern Division	- - - - -	H. H. Frazer
Secretary-Treasurer	- - - - -	R. L. S. Snell

TRANSFER AGENTS AND REGISTRARS

National Trust Company, Limited
Toronto, Montreal

SOLICITORS

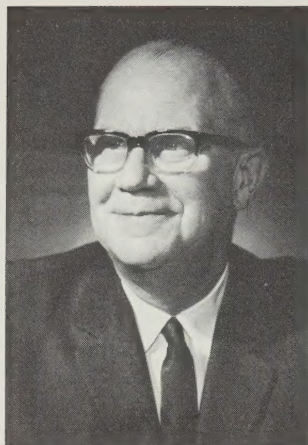
Fraser & Beatty

BANKERS

The Toronto-Dominion Bank, Toronto

AUDITORS

Dunwoody & Company



C. L. KALTHOFF
President and Chairman

TO THE SHAREHOLDERS:

On behalf of the Board of Directors, I am pleased to present the Annual Report of Industrial Adhesives Limited for the year ending October 31, 1969, the Company's 23rd year of existence and its 4th year as a public company.

The growth of the Company continues with 1969 being a record year of achievement. Sales were increased 11.76% over the 1968 fiscal year and resulted in consolidated net profits of \$300,010. This compares with \$241,285 earned in 1968 and represents an increase of 24.34% for the year. The working capital position improved and at year end was \$648,915 compared with \$564,722 at the end of 1968, representing working capital ratios of 2.44 to 1 and 2.36 to 1 respectively. The equity of the shareholders in the Company at October

31, 1969 was also increased, rising to \$1,158,347 from \$1,018,337 a year earlier, respectively, equivalent to \$2.90 and \$2.54 per share. Of further significance is the fact that total inventory increased in value to \$332,150 compared to \$323,929 at the end of fiscal 1968, an increase of only 2.54% despite a 9.57% increase in the poundage of products sold during the year. This modest increase reflects more efficient control and larger turnover of inventory for the 12-month period.

During the year the Company paid off its outstanding mortgage and is now free of long-term debt.

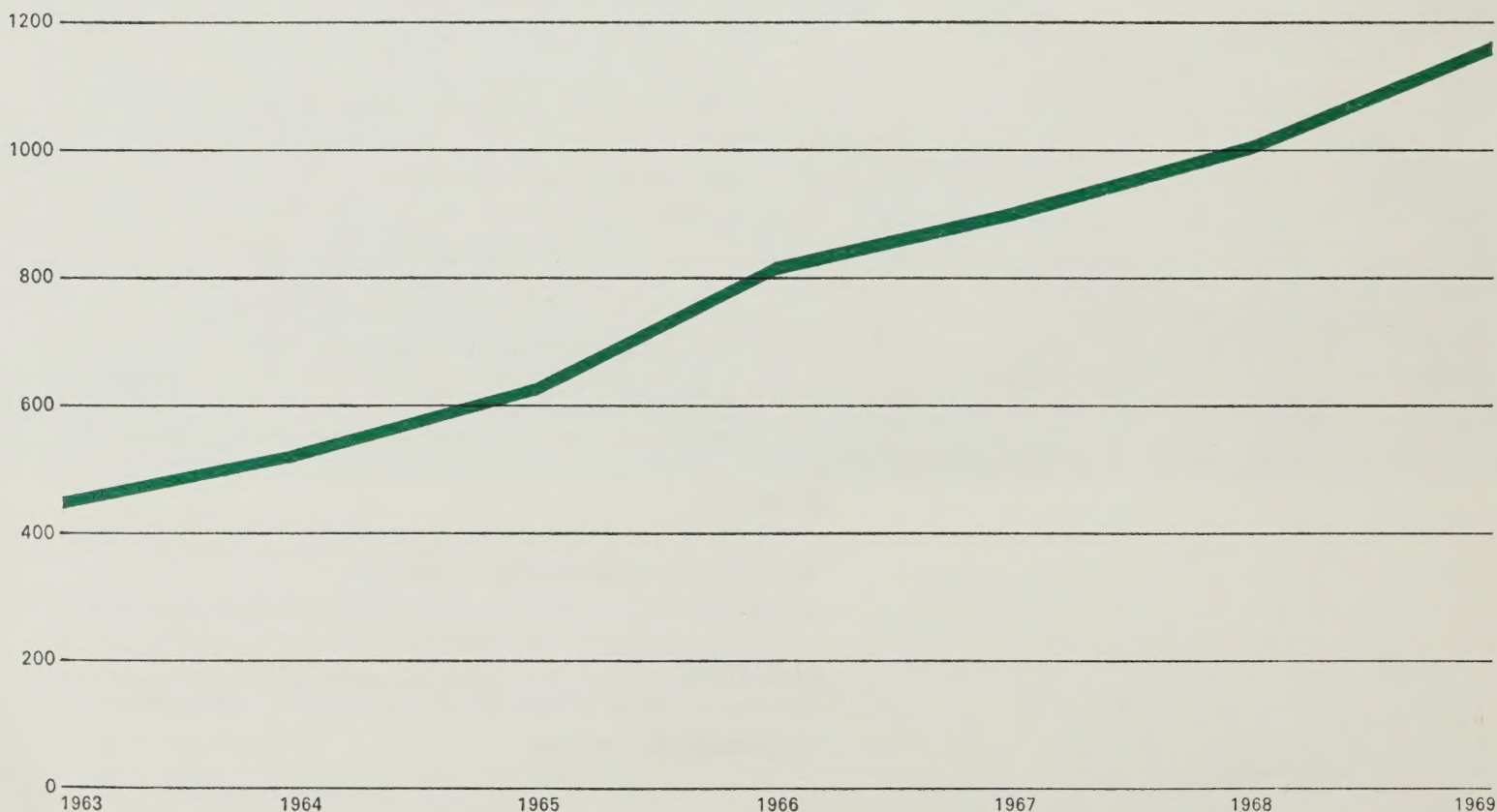
Quarterly dividends of 10¢ per share were paid during 1969, resulting in a total disbursement to shareholders of \$160,000.

In view of the Company's improved earnings from the year's operations, the Board of Directors has authorized another increase in the quarterly dividend rate, from 10¢ per share to 12¢ per share. This is the second dividend increase in two years and represents a 54.8% increase in the dividend rate since 1967. The first quarterly dividend at the new rate will be payable on January 30, 1970 to shareholders of record on January 2, 1970.

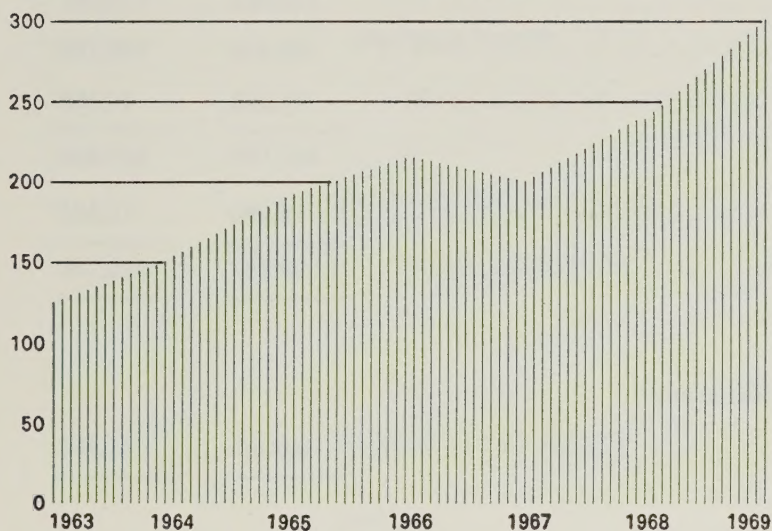
The Company again received a special allowance for scientific research expenditure from the Federal Government. This allowance substantiates management's belief that research and development is one of the vitally important determinants of your Company's future growth and expansion.

The new extrusion equipment installed in 1969 is working well and larger production is expected for the newly developed product lines, hot melt adhesives and coatings. A recent article in a well known periodical "Paper,

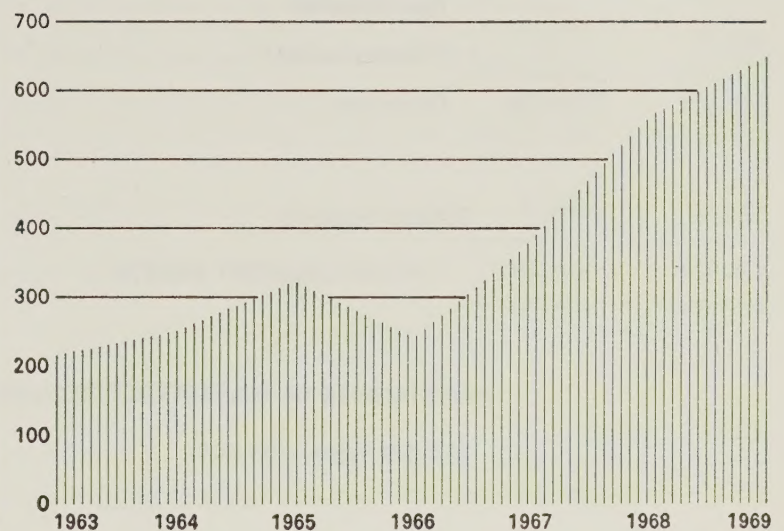
SHAREHOLDERS' EQUITY in thousands of dollars



PROFIT in thousands of dollars



WORKING CAPITAL in thousands of dollars



Film and Foil Converter" states that the evolution of hot melts as a method of adhesion through the development of new polymers can now be viewed as somewhat of a revolution within the total concept of the adhesives industry. The Company is proud to have taken a long term view in this development in Canada and to be one of the pioneers in the field.

The purchase during the year of 3 large trucks (2 for operations in Toronto and 1 for Montreal) to help offset rising cartage costs is enabling the Company to offer faster and more reliable delivery service for local customers and as well as for some of those located outside the two cities.

The anticipated purchase of new specialized equipment, amounting to \$45,000, in the coming year should enable the Company to reduce production time for some products from 8 hours to 4 hours and consequently the capital expenditure should be recovered in a comparatively short period of time. It will also improve quality control of the newly developed products which the Company is now manufacturing.

After another successful year I wish to thank all our employees again for their continuing loyalty to and efforts on behalf of the Company. Throughout the 23 years of

the Company's history, management has endeavoured to show its appreciation by offering above average pension and health plans on a shared cost basis as well as annual profit sharing bonuses. The adequacy of employee benefit plans has always been considered in the light of changing conditions. With this in mind, the Company is currently in the process of replacing its present insured pension plan with a trustee plan which should enable existing benefits to be upgraded at a reasonable cost to the Company.

The confidence of the employees in the Company is evidenced by an unusually low rate of turnover in personnel coupled with the fact that a large number of employees are now shareholders of the Company.

On behalf of the Board of Directors I would like to express our sincere appreciation for the continuing patronage of our valued customers and the support of our growing list of shareholders.

President and Chairman

December 8th, 1969

CONSOLIDATED BALANCE SHEET as at 31 October 1969

(with comparative figures as at 31 October 1968)

ASSETS		1969	1968
CURRENT			
Cash and Short Term Bank Deposits	- - - - -	\$ 238,536	\$ 171,451
Accounts Receivable	- - - - -	514,195	472,208
Inventories, at lower of cost and net realizable value:			
Raw Materials	- - - - -	190,682	179,091
Finished Goods	- - - - -	98,400	100,283
Containers	- - - - -	43,068	44,555
		332,150	323,929
Prepaid Expenses	- - - - -	14,886	12,562
TOTAL CURRENT ASSETS	- - - - -	1,099,767	980,150
INVESTMENTS IN MARKETABLE SECURITIES, at cost			
(Market Value—\$94,664)	- - - - -	102,638	61,353
SPECIAL REFUNDABLE CORPORATION TAX	- - - - -	—	5,863
FIXED			
Land, Buildings, Plant and Equipment, at cost	- - - - -	821,463	766,109
Less: Accumulated Depreciation	- - - - -	398,182	356,177
		423,281	409,932
OTHER			
Formulae	- - - - -	1	1
		\$1,625,687	\$1,457,299

Approved on behalf of the Board of Directors.

C. L. KALTHOFF
DirectorD. L. ADAM
Director

INDUSTRIAL ADHESIVES LIMITED

and its wholly-owned subsidiary

**LIABILITIES
AND SHAREHOLDERS'
EQUITY**

		1969	1968
	CURRENT		
Accounts Payable and Accrued Liabilities	- - - - -	\$ 227,886	\$ 183,284
Corporation Income, Sales and Other Taxes	- - - - -	149,666	135,080
Liability for Containers in Customers' Hands	- - - - -	73,300	85,669
Mortgage Payable	- - - - -	—	11,395
TOTAL CURRENT LIABILITIES	- - - - -	450,852	415,428
DEFERRED INCOME TAXES	- - - - -	16,488	23,534
TOTAL LIABILITIES	- - - - -	467,340	438,962
SHAREHOLDERS' EQUITY			
CAPITAL			
Authorized:			
200,000 5% Non-cumulative Preference Shares of Par Value \$1.00 each, Redeemable at \$1.20—\$200,000			
1,000,000 Common Shares of No Par Value, aggregate consideration not to exceed \$1,000,000			
Issued and Fully Paid:			
400,000 Common Shares	- - - - -	144,311	144,311
CONSOLIDATED EARNED SURPLUS	- - - - -	1,014,036	874,026
		1,158,347	1,018,337
		\$1,625,687	\$1,457,299

**CONSOLIDATED
STATEMENT OF
PROFIT AND LOSS**
for the year ended
31 October 1969
(with comparative figures
for the year ended
31 October 1968)

	1969	1968
PROFIT FOR THE YEAR, before accounting for the under-noted items - - - -	\$790,655	\$643,017
Add: Income from Investments - - - - -	18,668	5,005
	<u>809,323</u>	<u>648,022</u>
Less: Depreciation - - - - -	47,946	39,388
Mortgage Interest - - - - -	391	1,002
Remuneration of Directors and of Officers who are Directors - - - - -	146,726	123,622
	<u>195,063</u>	<u>164,012</u>
PROFIT FOR THE YEAR, before Provision for Corporation Income Taxes - - - -	614,260	484,010
PROVISION FOR CORPORATION INCOME TAXES - - - - -	314,250	242,725
	<u></u>	<u></u>
CONSOLIDATED NET PROFIT FOR THE YEAR - - - - -	<u>\$300,010</u>	<u>\$241,285</u>

**NOTES TO
CONSOLIDATED
FINANCIAL
STATEMENTS**
as at 31 October 1969

- GROSS OPERATING REVENUE**
Gross operating revenue for the year ended 31 October 1969 increased by 11.76% as compared with that for the year ended 31 October 1968.
- REMUNERATION OF DIRECTORS AND SENIOR OFFICERS**
The aggregate direct remuneration paid or payable by the Company and its subsidiary to the directors and senior officers amounted to \$178,755 for the year ended 31 October 1969 and \$171,602 for the year ended 31 October 1968.

**CONSOLIDATED
STATEMENT OF
EARNED SURPLUS**
for the year ended
31 October 1969
(with comparative figures
for the year ended
31 October 1968)

	1969	1968
BALANCE AT BEGINNING OF YEAR - - - - -	\$ 874,026	\$756,743
Consolidated Net Profit for the Year - - - - -	300,010	241,285
	<u>1,174,036</u>	<u>998,028</u>
Dividends - - - - -	160,000	124,002
	<u></u>	<u></u>
BALANCE AT END OF YEAR - - - - -	<u>\$1,014,036</u>	<u>\$874,026</u>

**CONSOLIDATED
STATEMENT
OF SOURCE AND
APPLICATION
OF FUNDS**

for the year ended
31 October 1969
(with comparative figures
for the year ended
31 October 1968)

	1969	1968
SOURCE OF FUNDS		
Consolidated Net Profit for the Year - - - - -	\$300,010	\$241,285
Add: Depreciation, a non-cash outlay - - - - -	47,946	39,388
FUNDS PROVIDED FROM OPERATIONS - - - - -	347,956	280,673
Proceeds from Sale of Investments (Net) - - - - -	2,160	2,500
Special Refundable Corporation Tax - - - - -	5,863	2,274
Proceeds on Disposal of Investment and Advances to Associated Company - -	—	50,752
TOTAL SOURCE OF FUNDS - - - - -	355,979	336,199
 APPLICATION OF FUNDS		
Net Additions to Fixed Assets - - - - -	61,295	13,627
Purchase of Investments - - - - -	43,445	4,490
Reduction of Mortgage Payable - - - - -	—	11,395
Dividends - - - - -	160,000	124,002
Deferred Income Taxes - - - - -	7,046	1,100
TOTAL APPLICATION OF FUNDS - - - - -	271,786	154,614
INCREASE IN WORKING CAPITAL - - - - -	84,193	181,585
WORKING CAPITAL AT BEGINNING OF YEAR - - - - -	564,722	383,137
WORKING CAPITAL AT END OF YEAR - - - - -	\$648,915	\$564,722

**AUDITORS'
REPORT**

To the Shareholders of
INDUSTRIAL ADHESIVES LIMITED

We have examined the Consolidated Balance Sheet of INDUSTRIAL ADHESIVES LIMITED as at 31 October 1969 and the Consolidated Statements of Earned Surplus, Profit and Loss and Source and Application of Funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the Companies as at 31 October 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, Ontario
27 November 1969

DUNWOODY & COMPANY
CHARTERED ACCOUNTANTS

SEVEN-YEAR COMPARISON

OPERATIONS:

	1969	1968	1967	1966	1965	1964	1963
Profit before depreciation and income taxes - - - - -	\$ 662,206	\$ 523,398	\$445,340	\$447,468	\$402,716	\$324,785	\$251,745
Depreciation - - - - -	47,946	39,388	43,690	25,264	28,225	32,139	27,271
Income taxes - - - - -	314,250	242,725	190,700	207,200	182,300	139,000	97,413
Profit - - - - -	300,010	241,285	210,950	215,004	192,191	153,646	127,061
Profit per share - - - - -	75¢	60¢	53¢	54¢	51¢	41¢	34¢
*Shares outstanding at year-end - -	400,000	400,000	400,000	400,000	375,120	375,120	375,120

*after giving effect to a 2 for 1 sub-division of shares by supplementary letters patent dated October 21, 1965.

FINANCIAL:

Working capital - - - - -	\$ 648,915	\$ 564,722	\$383,137	\$236,759	\$321,464	\$252,541	\$216,592
Investments in marketable securities (market value) - - - - -	94,664	55,339	49,750	126,713	70,538	49,112	25,375
Net investment in land, building, plant and equipment - - - - -	423,281	409,932	435,693	397,015	252,716	268,612	262,494
Shareholders' equity - - - - -	1,158,347	1,018,337	901,054	814,104	635,370	526,494	456,163
Shareholders' equity per share - -	\$2.90	\$2.55	\$2.25	\$2.04	\$1.69	\$1.40	\$1.22



